

Au Gres-Sims Police Board

Au Gres, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

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Au Gres-Sims Police Board
List of Elected and Appointed Officials
June 30, 2008

Police Board

Joseph Warr

Chairman

Thomas Ennes

Vice Chairman

Steve Payne

Secretary

Gary Foco

Treasurer



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Independent Auditors' Report

Members of the Police Board
Au Gres-Sims Police Board
Au Gres, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Au Gres-Sims Police Board as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Au Gres-Sims Police Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Au Gres-Sims Police Board as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Au Gres-Sims Police Board has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan

December 9, 2008

Au Gres-Sims Police Board
Statement of Net Assets
June 30, 2008

	Primary Governmental Activities
Assets	
Cash and cash equivalents	\$ 40,226
Capital assets - net of depreciation	<u>10,107</u>
Total assets	<u>50,333</u>
Liabilities	
Accounts payable	<u>14,152</u>
Net assets	
Invested in capital assets	10,107
Unrestricted	<u>26,074</u>
Total net assets	<u><u>\$ 36,181</u></u>

See Accompanying Notes to Financial Statements

Au Gres-Sims Police Board
Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and
		Charges for	Operating	Capital	Changes in Net Assets
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u> <u>Contributions</u>	<u>Grants and</u> <u>Contributions</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u>
Primary government					
Governmental activities					
Public safety	<u>\$ 153,835</u>	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,165</u>
General revenues					
Unrestricted investment earnings					48
Miscellaneous					<u>9</u>
Total general revenues					<u>57</u>
Change in net assets					6,222
Net assets - beginning					<u>29,959</u>
Net assets - ending					<u><u>\$ 36,181</u></u>

See Accompanying Notes to Financial Statements

Au Gres-Sims Police Board
Balance Sheet - Governmental Funds
June 30, 2008

	<u>General Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 40,226</u>
Liabilities and fund balance	
Liabilities	
Accounts payable	<u>\$ 14,152</u>
Fund balance	
Designated for	
Vehicles and equipment	<u>26,074</u>
Total liabilities and fund balance	<u>\$ 40,226</u>
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	
Total fund balances for governmental funds	\$ 26,074
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>10,107</u>
Net assets of governmental activities	<u>\$ 36,181</u>

See Accompanying Notes to the Financial Statements

Au Gres-Sims Police Board
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2008

	General Fund
Revenues	
Charges for services	\$ 160,000
Interest income	48
Other revenue	9
	<u>160,057</u>
Total revenues	
Expenditures	
Current	
Public safety	<u>148,379</u>
Net change in fund balance	11,678
Fund balance - beginning	<u>14,396</u>
Fund balance - ending	<u><u>\$ 26,074</u></u>
Reconciliation of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	
Net change in fund balances - governmental funds	\$ 11,678
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	<u>(5,456)</u>
Change in net assets of governmental activities	<u><u>\$ 6,222</u></u>

See Accompanying Notes to the Financial Statements

Au Gres-Sims Police Board
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Police Board is governed by a four member board which has oversight and responsibility over all activities. Based on the significance of any operational or financial relationship with the Police Board, there are no component units to be included in the Police Board's financial report.

The accounting policies of the Au Gres-Sims Police Board conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Police Board:

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities are supported by inter-governmental revenue.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a

particular function or segment. Interest and other items properly excluded from program revenue are reported as general revenue.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Police Board has one fund to account for all of its financial resources.

Au Gres-Sims Police Board

Notes to Financial Statements

June 30, 2008

Assets, liabilities and net assets or equity

Cash and cash equivalents – The Police Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Capital assets – Capital assets, which include equipment and vehicles are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Police Board's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The Police Board is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The Police board prepares the proposed annual budget prior to the beginning of the next fiscal year. The proposed budget is then submitted to the City of AuGres and Sims Township for their approval.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Note 3 - Deposits

Credit risk - State statutes and the Police Board's investment policy authorize the Police Board to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The board is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that

Au Gres-Sims Police Board
Notes to Financial Statements
June 30, 2008

would limit the amount that may be issued in any one issuer.

from the two local governments to provide police protection.

Custodial credit risk – deposits – the bank balance was \$40,226. The entire bank balance was covered by federal depository insurance.

Note 4 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated				
Vehicles and equipment	\$ 52,008	\$ -	\$ -	\$ 52,008
Less accumulated depreciation for vehicles and equipment	<u>36,445</u>	<u>5,456</u>	<u>-</u>	<u>41,901</u>
Net capital assets being depreciated	<u>\$ 15,563</u>	<u>\$ (5,456)</u>	<u>\$ -</u>	<u>\$ 10,107</u>

Depreciation expense was charged to the primary government in the amount of \$ 5,456 for the year ended June 30, 2008.

Note 5 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 6 - Economic Dependency

The Police Board is economically dependent on the City of Au Gres and Sims Township. Approximately 99.9% of total revenue came

Au Gres-Sims Police Board
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services				
City of Au Gres	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Sims Township	80,000	80,000	80,000	-
Interest income	-	-	48	48
Other revenue	-	-	9	9
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>160,057</u>	<u>57</u>
Expenditures				
Public Safety				
Liability insurance	14,500	14,500	11,085	(3,415)
Employee insurance	29,500	29,500	28,079	(1,421)
Telephone	2,500	2,500	2,360	(140)
Miscellaneous	2,000	2,000	1,310	(690)
Supplies	1,000	1,000	1,006	6
Repair and maintenance	2,000	2,000	2,075	75
Gasoline	7,500	7,500	7,593	93
Wages	74,000	74,000	73,789	(211)
Payroll taxes	8,000	8,000	9,007	1,007
Retirement	6,000	6,000	6,470	470
Professional services	5,000	5,000	5,605	605
Capital outlay	8,000	8,000	-	(8,000)
Total expenditures	<u>160,000</u>	<u>160,000</u>	<u>148,379</u>	<u>(11,621)</u>
Net change in fund balance	-	-	11,678	11,678
Fund balance - beginning	<u>14,396</u>	<u>14,396</u>	<u>14,396</u>	<u>-</u>
Fund balance - ending	<u>\$ 14,396</u>	<u>\$ 14,396</u>	<u>\$ 26,074</u>	<u>\$ 11,678</u>



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December 9, 2008

Management and the Board of
Au Gres – Sims Police Board
Au Gres, Michigan

We have completed our audit of the financial statements of Au Gres – Sims Police Board as of and for the year ended June 30, 2008 and have issued our report dated December 9, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the Authority during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board, others within the Authority, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
December 9, 2008

Appendix I
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated May 12, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the Authority during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered During the Audit

There were no difficulties encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix II

Management Comments

In planning and performing our audit of the financial statements of Au Gres-Sims Police Authority as of and for the year ended June 30, 2008, we considered Au Gres-Sims Police Authority internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date December 9, 2008, on the financial statements of Au Gres-Sims Policy Authority. Our comments and recommendations regarding those matters are:

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Organization. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures, we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Organization completely document and disseminate all internal control policies and procedures into one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in these procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.